# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:1945
ANSWERED ON:05.08.2005
FOREIGN EXCHANGE RESERVES
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**Will the Minister of FINANCE be pleased to state:**

(a): whether the foreign exchange reserve has witnessed decline during the current year;

(b):if so, the details thereof;

(c):the reasons for decline in the foreign exchange reserves;

(d):the position of the foreign exchange reserves during each of the last three years;

(e):the steps taken by the Government to check the decline in the foreign exchange reserves in future?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b): Yes, sir. The foreign exchange reserves (including foreign currency assets, gold, Special Drawing Rights, and reserve position in the International Monetary Fund), which stood at US$ 141.5 bilion as at end-March 2005, declined to US$ 137.5 billion on July 22, 2005.

(c) : The decline in foreign exchange reserves, inter alia, includes the effect of depreciation of non-US currencies (such as Euro, Pound Sterling and Yen) held in reserves, vis-â€¦-vis the US Dollar.

(d) : The foreign exchange reserves stood at US$54.1 billion, US$76.1 billion, and US$113.0 billion, respectively, as at end-March 2002, end-March 2003, and end-March 2004, respectively.

(e): India`s foreign exchange reserves have grown significantly since 1991. At present, India is one of the top emerging market economies, in terms of reserves held. The overall approach to the management of India`s foreign exchange reserves in recent years reflects the changing composition of the balance of payments and the `liquidity risk` associated with different types of flows and other requirements. The policy for reserve management is, thus, judiciously built upon a host of identifiable factors and other contingencies. Taking these factors into account, India`s foreign exchange reserves continue to be at a comfortable level and consistent with rate of growth, the share of external sector in the economy and the size of risk-adjusted capital flows.